Supreme Court, U. S.
FILED
MAY 3 1978
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1977

No. 77-1573

AMERICAN TELEPHONE AND TELEGRAPH COMPANY and WESTERN ELECTRIC COMPANY, INCORPORATED,
Petitioners,

v.

EARL E. O'CONNOR, UNITED STATES DISTRICT JUDGE FOR THE DISTRICT OF KANSAS,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

ALBERT E. FEY
Attorney for Petitioners

FISH & NEAVE
277 Park Avenue
New York, New York 10017

Of Counsel:

RICHARD J. CODDING
222 Broadway
New York, New York 10038

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Petitioners American Telephone and Telegraph Company and Western Electric Company, Incorporated respectfully pray that a writ of certiorari issue to review the order of the United States Court of Appeals for the Tenth Circuit entered in this proceeding on January 6, 1978.

OPINIONS BELOW

The orders of the United States Court of Appeals for the Tenth Circuit and the United States District Court for the District of Kansas have not been re-

ported. These orders appear in the Appendix to this petition at pages 1a and 2a, respectively. No opinions were rendered below.

JURISDICTION

The order of the Court of Appeals for the Tenth Circuit was entered on January 6, 1978. A timely petition for rehearing was denied on February 2, 1978. A copy of that order appears in the Appendix at page 3a. The present petition was filed within 90 days thereafter. This Court has jurisdiction to review the order of the Court of Appeals pursuant to 28 U.S.C. § 1254 (1) and § 1651.

QUESTIONS PRESENTED

1. Should a patent infringement action against the manufacturer of the allegedly infringing devices and three customers have been transferred under 28 U.S.C. § 1404(a) from a forum in which none of the parties were residents or had their principal places of business, which was only nominally connected to the litigation and which was chosen by the plaintiff only because it had previously undertaken and substantially completed litigation in that forum, to a forum which is significantly more convenient to all parties and witnesses and in which a related declaratory judgment action is pending involving all principal parties and all issues?

2. Should the purposes of the patent venue statute, 28 U.S.C. § 1400(b), which sought to restrict patent infringement litigation to jurisdictions in which the alleged infringer has substantial activity relating to the alleged infringment, be subverted, forum shopping condoned and encouraged, and transfer denied simply

because the plaintiff chose the forum, irrespective of the fact that all of the statutory criteria for transfer under 28 U.S.C. § 1404(a) and the decisions of this and other courts overwhelmingly favor transfer?

3. Should this Court exercise its supervisory authority to reduce the drain on judicial resources created by forum shopping in patent cases?

STATUTES INVOLVED

28 U.S.C. § 1404(a) provides:

"For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought."

28 U.S.C. § 1400(b) provides:

"Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."

STATEMENT OF THE CASE

Nature Of The Case

This is a patent infringement action arising under 28 U.S.C. § 1338(a). This action was commenced by Milgo Electronic Corporation ("Milgo") against Western Electric Company, Incorporated ("Western"), the manufacturer of the allegedly infringing devices, its customers, American Telephone and Telegraph Company ("AT&T", which is the parent company of Western), Southwestern Bell Telephone Company ("Southwestern Bell", also a subsidiary of

AT&T) and Boeing Computer Services, Inc., ("Boeing," a customer of Southwestern Bell) in the District of Kansas. The case was assigned to the Honorable Earl E. O'Connor, United States District Judge for the District of Kansas, respondent herein.

Neither the plaintiff below, nor any of the defendants is a Kansas corporation or has its principal place of business in Kansas. Neither the inventions of the patents in suit nor the design, development or manufacture of the allegedly infringing devices was accomplished in or near Kansas. Substantially none of the prospective witnesses for either side lives in or near Kansas, while the vast majority of witnesses and documents for both sides on the issues of infringement and validity are located on the East Coast. These facts make this case particularly well suited to the application of the 28 U.S.C. § 1404(a) transfer statute as a means of alleviating the burdens imposed by forum shopping in a situation where, although the requirements of the patent venue statute 28 U.S.C. § 1400(b) technically are met, the action really has no connection with the plaintiff's chosen forum.

In spite of the overwhelming weight of considerations favoring transfer and the absence of factors weighing against transfer, the District Court denied petitioners' motion to transfer, from the bench, following oral argument, without writing an opinion and without stating its reasons beyond a bare conclusory statement that petitioners had failed to meet their burden of proof.

This case thus provides the Court with the opportunity to give guidance for 28 U.S.C. § 1404(a) transfers which will reduce forum shopping in patent cases

and which will encourage infringement cases to be brought in jurisdictions consistent with the spirit as well as the letter of 28 U.S.C. § 1400(b), thus ultimately reducing the burden on the courts imposed by 28 U.S.C. § 1404(a) motions by reducing the incidence of forum shopping by plaintiffs in patent infringement suits.

Statement Of The Facts

Milgo commenced this action (the "*Kansas*" case) for infringement of four of its patents on January 23, 1976. Two of the patents had previously been held valid in an earlier action commenced in the District of Kansas against a Kansas corporation, *Milgo Electronic Corporation* v. *United Telecommunications, Inc. and United Business Communications, Inc.*, 189 USPQ 160 (D. Kan. 1976) (the "*United*" case). Trial of the patent validity and infringement issues in that action had been completed and a decision rendered prior to the commencement of the instant action.

The principal parties to this action include plaintiff Milgo, a Florida corporation with its principal place of business in Miami, defendants-petitioners, Western, a New York corporation with its principal place of business in New York (the manufacturer of the allegedly infringing products, modems[1]) and AT&T, a New York corporation with its principal place of business in New York (Western's parent and a customer of Western).

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[1] Sophisticated electronic devices used to communicate digital computer type information over regular voice telephone lines.

The other two defendants below, Southwestern Bell, simply a customer of Western, and Boeing, a customer of Southwestern Bell, both doing business in Kansas, were named as defendants in the case solely for the purpose of creating the illusion that this case has some nexus with the Kansas forum. Nevertheless, neither is a Kansas corporation nor does either have its principal place of business in Kansas. Southwestern Bell is a Missouri corporation with its principal place of business in St. Louis, Missouri while Boeing is a Delaware corporation with its principal place of business in Dover, New Jersey.

On the very same day this action was commenced, Milgo commenced another patent infringement action in Kansas against Yellow Freight Systems, Inc., a customer of the Codex Corporation, another manufacturer of modems, *Milgo Electronic Corporation* v. *Yellow Freight Systems, Inc.*, Civil Action No. 76-16-C2 (the "*Yellow Freight*" case). That action, involving some of the same patents involved in this action, was later stayed as a result of the decision of the Court of Appeals for the First Circuit in a declaratory judgment action brought by Yellow Freight Systems and its manufacturer-supplier, Codex Corporation, in Massachusetts, *Codex Corporation and Yellow Freight Systems, Inc.* v. *Milgo Electronic Corporation and International Communications Corporation,* 553 F.2d 735 (1 Cir. 1977), cert. denied —— U.S. —— (1977). (The "*Massachusetts*" case).

On March 2, 1976 AT&T, Western and their affiliated company, Bell Telephone Laboratories, Inc. ("Bell Labs"), the designer of the allegedly infringing devices, brought a declaratory judgment action in New York against Milgo and its manufacturing and

sales subsidiary, International Communications Corporation ("ICC"), seeking a declaration that the patents in suit in Kansas in the action against AT&T, Western, Southwestern Bell and Boeing are invalid and not infringed and also a determination of priority under 35 U.S.C. § 291 between a Milgo patent and a Bell Labs application for a reissue patent, *American Telephone and Telegraph Company, Western Electric Company, Incorporated, Bell Telephone Laboratories, Inc.* v. *Milgo Electronic Corporation and International Communications Corporation,* Civil Action No. 76 Civ. 996 WK (the "*New York*" case).

On or about March 8, 1976, petitioners moved in Kansas, pursuant to 28 U.S.C. § 1404(a), to transfer the infringement action as to them to New York where petitioners' declaratory judgment action was pending. Grounds for that motion included the following:

1. All the principal parties to the controversy are East Coast companies with their principal places of business on the East Coast and all are parties to the *New York* action whereas two were not parties to the *Kansas* action:

   a. Milgo and its manufacturing subsidiary ICC are Florida corporations with their principal places of business in Miami. ICC is not a party in Kansas but is in New York.

   b. AT&T, Western, the manufacturer of the allegedly infringing modems, and Bell Labs, the designer and developer of the allegedly infringing modems, are New York corporations with their principal places of business in New York or its New Jersey suburbs. Bell Labs is not and cannot be made a party in Kansas but is in New York.

2. Milgo's alleged inventions were made in Miami.
3. Western's allegedly infringing modems were designed and developed at Bell Labs' Holmdel, New Jersey facilities.
4. The vast majority of prospective witnesses and relevant documents are located on the East Coast:
   a. Milgo's inventors and relevant documents are located in and around Miami;
   b. Bell Labs' engineers who designed the allegedly infringing data sets as well as those who designed prior art data sets and relevant documents are located in the New Jersey suburbs of New York;
   c. Third party witnesses and documents relevant to the alleged invention of one of Milgo's patents also are located in the New Jersey suburbs of New York.
5. Milgo previously stated to the Court in the *United* case that the East Coast is more convenient to it because of the location of its witnesses.

In spite of these factual showings and the standards applied by other courts in less compelling situations, the District Court below, on July 23, 1976, denied transfer, from the bench at the conclusion of oral argument on petitioners' motion, without issuing an opinion and without expressing any reasons for the denial beyond the conclusory statement that AT&T and Western had not sustained their burden of showing that for the convenience of parties and witnesses and in the interest of justice, the case should be transferred.[2]

[2] A copy of the page of the transcript of the July 23, 1976 hearing relating to the Court's denial of the transfer motion appears in the Appendix to this petition at page 4a.

On the very same day that petitioners' transfer motion was denied in Kansas, the District Court in Massachusetts denied the motion of Codex and Yellow Freight to stay the Kansas infringement action against Yellow Freight.[3]

It thus appeared to petitioners that the copendency of the Kansas *Yellow Freight* case with the case at bar may have been a significant factor in the Kansas District Court's denial of petitioners' transfer motion.

Based on the Kansas court's determination, the New York court transferred that part of AT&T's, Western's and Bell Labs' declaratory judgment action which could be transferred [4] to Kansas leaving AT&T's and Western's declaratory judgment claims against ICC and Bell Labs' declaratory judgment claims against both Milgo and ICC in New York. The 35 U.S.C. § 291 interfering patents matter was stayed pending the resolution of a related interference proceeding in the United States Patent and Trademark Office.

The First Circuit's opinion of April 29, 1977 in *Codex Corporation* v. *Milgo Electronic Corp.*, 553 F.2d 735, cert. denied, —— U.S. ——, (1977) reversed the Massachusetts District Court's denial of the requested stay of the Kansas action against Yellow Freight effectively eliminating the possibility that the case at bar and the *Yellow Freight* case could be consolidated

[3] It was this decision that was reversed by the First Circuit in *Codex Corp.* v. *Milgo Electronic Corp.*, 553 F.2d 735 (1 Cir. 1977), cert. denied, —— U.S. —— (1977).

[4] On an issue of first impression, the New York Court held that because AT&T's and Western's declaratory judgment claims against Milgo could have been asserted as counterclaims in the *Kansas* action, those claims met the "might have been brought" test of 28 U.S.C. § 1404(a).

or coordinated in Kansas. This decision thus removed the one factor which petitioners believed the Kansas District Court might have considered in denying their transfer motion.

Following the First Circuit's decision in *Codex,* petitioners promptly renewed their transfer request on the grounds previously stated plus the additional ground that even the possibility of consolidation or coordination of similar actions in Kansas had now been removed. Petitioners' renewed motion was denied again from the bench following oral argument on June 2, 1977 without an opinion from the court or a statement of reasons.

Petitioners' appeal from the June 3, 1977 order was dismissed by the Court of Appeals on November 11, 1977.[5] Petitioners' petition for a writ of mandamus was denied January 6, 1978 and their request for a rehearing was denied February 2, 1978.

REASON FOR GRANTING THE WRIT

THE DECISION OF THE TENTH CIRCUIT SANCTIONS A DISTRICT COURT DECISION THAT SO FAR DEPARTS FROM THE ACCEPTED AND USUAL COURSE OF JUDICIAL PROCEEDINGS THAT THIS COURT'S POWER OF SUPERVISION SHOULD BE EXERCISED

1. All Factors Properly To Be Considered Compel Transfer

28 U.S.C. § 1404(a) establishes the criteria by which a motion to transfer is to be judged. Section 1404(a) provides:

> "For the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought".

[5] A copy of the Court's decision appears in the Appendix to this petition at page 5a.

a. The convenience of parties and witnesses

Under 28 U.S.C. § 1404(a), Courts have broad discretion to grant transfers upon a lesser showing of inconvenience than that formerly required under the predecessor doctrine of *forum non conveniens* (with its harsher penalty of dismissal, rather than transfer), with little weight being given to the plaintiff's choice of forum, especially where the forum has no real connection with the isues. *Norwood* v. *Kirkpatrick,* 349 U.S. 29, 32 (1955); *Medtronic, Inc.* v. *American Optical Corporation,* 337 F.Supp. 490 (D. Minn. 1971); *A. C. Samford, Inc.* v. *United States,* 226 F.Supp. 72, 77-78 (M.D.Ga. 1963); and *Glickenhaus* v. *Lytton Financial Corporation,* 205 F.Supp. 102 (D. Del. 1962).

This Court has commented favorably on the policy embodied in the transfer statute which encourages trial in a convenient federal forum, *Continental Grain Co.* v. *Barge FBL-585,* 364 U.S. 19, 26 (1960):

> "The idea behind § 1404(a) is that where a 'civil action' to vindicate a wrong—however brought in a court—presents issues and requires witnesses that make one District Court more convenient than another, the trial judge can, after findings, transfer the whole action to the more convenient court."

and in *Van Dusen* v. *Barrack,* 376 U.S. 612, 616 (1964) where the Court stated:

> "Section 1404(a) reflects an increased desire to have federal civil suits tried in the federal system at the place called for in the particular case by

considerations of convenience and justice." (footnote omitted)

All the principal parties to the *Kansas* action are Eastern companies with their principal activities in the East: Western Electric and AT&T are New York corporations with their principal places of business in New York City and with their principal activities in New York City and its New Jersey suburbs; Milgo is a Florida corporation with its principal place of business and principal activities in Miami, Florida.

The research, design and development of Western Electric's allegedly infringing data sets were carried out in Bell Labs' Holmdel facility located in the New Jersey suburbs of New York City.[6] The engineers who designed and developed those data sets and other witnesses and documents relevant to the design and development of those data sets are located in Holmdel.

The research which produced the alleged inventions of Milgo's patents in suit was conducted at its Miami facility and in conjunction with Western Union, a non-affiliated third party, located in the New York City area. The witnesses and documents related to this work are in Miami and New York.[7]

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[6] Prior to the District Court's denial on July 23, 1976 of petitioners' transfer motion, Milgo undertook a series of depositions of Western Electric personnel at Western Electric's Montgomery, Illinois plant, where the accused data sets are manufactured, in an attempt to establish that people knowledgeable about the accused data sets were located in the Midwest. The testimony of the 14 people deposed established conclusively that the Montgomery plant is involved in manufacturing only. All designs and design changes come from Bell Labs at Holmdel, New Jersey. No one at the Montgomery plant even understands how the data sets work.

[7] When asked to produce documents in Kansas in this case, Milgo instead insisted they be produced in Miami.

Hence, the principal parties themselves and the activities which are related to the subject matter of this litigation are located in the Miami and New York City areas.

The other parties to the *Kansas* action, Southwestern Bell and Boeing, are nominal defendants in the truest sense of the word. Southwestern Bell is a mere customer of Western Electric and Boeing is a customer of Southwestern Bell. They were made defendants for the purpose of creating the illusion of a nexus between the Kansas forum and the subject matter of this litigation. But Boeing itself is a Delaware corporation with its principal place of business in Dover, New Jersey, also near New York City. Southwestern Bell is a Missouri corporation with its principal place of business in St. Louis. Both Boeing and Southwestern Bell have agreed to intervene in the action after transfer to New York if there is any reason for them to do so.

In addition to the location of the parties and the parties' employee witnesses on the East Coast, third party witnesses can be expected to be called from the New York City area, within the subpoena power of the New York court.

In addition to the employees of Western Union referred to above, the authors of "Data Transmission", the book referred to by Judge Templar, who tried the *United* case, as the "bible" of data transmission are residents of the New York area as are other former employees of Bell Labs who designed and developed data sets which constitute prior art to Milgo's patents. The ability to command the presence of these third party witnesses would be a benefit to all the parties and the trial court.

There can be no question about the convenience of the parties and witnesses being served by transfer to New York. No convenience factor supports retaining this case in Kansas.

None of the principal parties to this action has its principal place of business in Kansas. Milgo's research and development was not done in Kansas. The research development, design and manufacture of the allegedly infringing modems were not done in Kansas. There are no witnesses, no documents and no other sources of proof in Kansas. In short, this case has nothing to do with Kansas.

As the First Circuit found in *Codex*, 553 F.2d at 737:

> "Milgo is a Florida corporation, and its technical experts and witnesses are to be found in Florida or elsewhere on the East Coast. Codex, a Massachusetts corporation, has its principal place of business here, with its witnesses and documents. Yellow Freight, a Kansas corporation, is merely a customer of Codex; Milgo has made no showing that the dispute concerning the devices which Codex provided to Yellow Freight bears any substantial relation to Kansas. Accordingly, as between Massachusetts and Kansas, Massachusetts would clearly be the more convenient forum."

Milgo itself, in a letter to the Kansas Court dated March 10, 1975, in connection with its effort to get the *United* case transferred from Kansas to the East Coast, stated:

> "A trial in Florida is the most convenient location for all the witnesses identified by both parties in their Pretrial Briefs. Defendants technical witnesses are on the East Coast (Maryland and New York) and Milgo's inventors are in Florida, with other Milgo technical witnesses in the New Jersey and New York area."

Thus New York is an even more convenient forum than was Boston in *Codex*.

b. THE INTEREST OF JUSTICE

The "'interest of justice' factor" is "'separate and distinct from the convenience of parties and witnesses as well as a necessary resultant factor from such convenience,'" *Paragon-Revolute Corp.* v. *C. F. Pease Co.*, 120 F.Supp. 488, 491 (D. Del. 1954). The interest of justice generally follows if the transfer serves the convenience of the parties and witnesses. *Cinema Amusements* v. *Loew's, Inc.*, 85 F.Supp. 319, 326 (D. Del. 1949):

> "In most cases, if the convenience of the parties and witnesses will be served by transfer it usually follows that justice will also be served by transfer." (Footnote omitted)

In addition to the convenience factors which, as described in the preceding section, favor transfer without exception, other considerations of the interest of justice also compel the conclusion that the *Kansas* action as to Western Electric and AT&T should have been transferred to New York. No consideration affecting the interest of justice properly taken into account supports the selection of Kansas as the forum in which this dispute should be litigated.

(1) *all interested parties are in New York*

All the parties having a real interest in this dispute are parties to the *New York* case. There all the issues

raised in this, the *Kansas* action, are raised—and additional issues as well. Two parties (ICC and Bell Labs) who have a real interest in this litigation are not parties to the *Kansas* action but are parties to the *New York* case. Bell Labs, the designer and developer of the accused modems and therefore vitally interested in this litigation, is not a party to the *Kansas* case and, because it has no presence in Kansas, cannot be made a party in that forum. Boeing and Southwestern Bell, the nominal parties in the *Kansas* action, have stated that they will appear in New York if the case is transferred.

(2) *third party witnesses are near New York*

In addition to the petitioners being located in New York City, important third party witnesses (the authors of the "bible," and other past and present employees of Bell Labs and the employees of Western Union who were involved in the development work which resulted in at least one of the patents in suit) are also located in the New York area within the subpoena power of the New York court. Trial of this action in Kansas would deprive petitioners of the ability to compel the appearance of those witneses for live testimony and the trial court of the opportunity to gauge their credibility.

(3) *judicial economy is served by transfer*

There is no case in Kansas with which this case can be consolidated or coordinated. There is one in New York. At the time petitioners first moved to transfer the *Kansas* action as to them to New York, the *Yellow Freight* case was pending in Kansas. It may be that in stating the conclusion that the interest of justice

would not be served by transferring the case to New York, the District Court below contemplated the achievement of judicial economy by the consolidation or coordination of the *Yellow Freight* case with the *Kansas* action in Kansas.

That possibility was eliminated, however, by the First Circuit's decision of April 29, 1977 in the *Massachusetts* case in which the denial of the Codex-Yellow Freight motion to enjoin the *Yellow Freight* case in Kansas was reversed, 553 F.2d 735 (1 Cir. 1977), cert. denied —— U.S. —— (1977). The First Circuit there held that Milgo should not be permitted to "bootstrap" itself into an inconvenient forum simply by bringing two actions[*] in the inconvenient forum:

> "The pendency of related litigation in another forum is a proper factor to be considered in resolving choice of venue questions (citations omitted) and may have been decisive in a number of cases where the convenience factors were inconclusive (citations omitted). However, we have found no case where it has carried the day against factors pointing in the other direction. Nor are we fully convinced of the propriety of using another customer suit of another manufacturer, which, incidentally, may have very different collateral issues, as a magnet to draw a suit to a jurisdiction where it otherwise should not be. This would mean that if a patentee brings enough suits in what, in all respects, other than its personal hope of a favorable outcome, is an unnatural and inconvenient forum from the standpoint of trial, it can bootstrap itself into staying there." 553 F.2d 735 at 739

[*] The Court was referring to the Kansas-*Yellow Freight* case and Milgo's *Kansas* action against Western Electric, AT&T Southwestern Bell and Boeing, the case which petitioners here seek to have transferred to the plainly more appropriate New York forum.

Considerations of judicial economy in fact support transfer. The *New York* case involves not only the declaratory judgment claims relating to the patents in suit in Kansas but also the 35 U.S.C. § 291 interfering patents cause of action involving a Bell Labs patent and a Milgo patent not at issue in Kansas.[9] The New York Court will have to try the interfering patents cause of action and in so doing will have to learn the complex technology involved in these data set issues. Hence, transfer of the *Kansas* action to New York, where the Court will have to learn the technology anyway, would eliminate the need for the Kansas court to also learn that technology.

2. The Denial Of The Transfer Motion Here Was An Abuse Of Discretion

The standard applied in reviewing the disposition of a 28 U.S.C. § 1404(a) transfer motion is one of abuse of discretion.[10] *Chicago, Rock Island & P.R. Co.* v. *Hugh Breeding, Inc.*, 247 F.2d 217 (10 Cir. 1957), cert. dismissed, 355 U.S. 880 (1957); *Pacific Car and Foundry Company* v. *Pence*, 403 F.2d 949 (9 Cir. 1968); *Akers* v. *Norfolk and Western Railway Company*, 378 F.2d 73 (4 Cir. 1967); *Chicago, Rock Island and Pacific Railroad* v. *Igoe*, 220 F.2d 299 (7 Cir. 1955), cert. denied, 350 U.S. 822 (1955); *Fine* v. *McGuire*, 433 F.2d 499 (D.C. Cir. 1970); *Southern Railway Company* v. *Madden*, 235 F.2d 198 (4 Cir.

[9] The § 291 cause has been temporarily stayed pending resolution of a related interference proceeding in the United States Patent and Trademark Office. That proceeding will soon be completed; the final hearing having been had on October 19, 1977.

[10] The same standard is applied whether appellate review of the transfer order is by appeal from a final judgment or by a petition for a writ of mandamus with respect to an interlocutory order.

1956); *ACF Industries, Inc.* v. *Guinn*, 384 F.2d 15 (5 Cir. 1967).

Where the appellate court has found that in determining a motion for transfer the district court abused its discretion in applying the statutory criteria defined by 28 U.S.C. §1404(a) there has been no reluctance to reverse the lower court's order, and where a writ of mandamus has been sought, to issue the writ.

Petitioners respectfully submit that the facts and circumstances of this case so overwhelmingly and conclusively show that the convenience of parties and witnesses and the interest of justice would be served by transferring the *Kansas* action as to Western Electric and AT&T to New York that the Kansas Court's denial of petitioners' motion to transfer to New York constitutes a clear abuse of discretion. Many cases, on facts much less compelling than these, have so held.

In *Pacific Car and Foundry Company* v. *Pence*, 403 F.2d 949 (9 Cir. 1968) the plaintiff, an Australian company, brought an antitrust suit against the defendant in the District of Hawaii. As is true in the case now before this Court, none of the parties in *Pacific Car* had substantial contacts with the chosen forum. Defendants' motion to transfer was denied by the district court and defendant then petitioned for a writ of mandamus ordering the transfer.

On the issue of the use of a petition for writ of mandamus to obtain interlocutory review of the denial of a motion to transfer the Ninth Circuit stated:

> "A decision denying change of venue is complete and final in itself. It is not a step toward final judgment. Instead, it is collateral to and separable from the rights asserted in the action. Venue pro-

> visions deal with rights too important to be denied review. Yet error in denying change of venue cannot be effectually remedied on appeal from final judgment. The purpose of the rule is to avoid the disruption, expense, and inconvenience parties and witnesses must suffer by having the trial in an improper forum. To require litigants to await final judgment for relief serves to defeat the very purpose of the venue rule by requiring them to submit to the disadvantages from which the rule is designed to relieve them." 403 F.2d at 952

Finding that the plaintiff's "choice [of forum was] supported only by the fact that it was chosen", the Ninth Circuit found that "Such a choice cannot prevail under § 1404(a) against the showing of inconvenience here made by the petitioner", 403 F.2d 949 at 955, and issued the writ.

Petitioners here have shown that Milgo's choice of Kansas is supported only by the fact that Milgo chose it. Milgo's action against Western Electric and AT&T should be transferred to New York where all parties are available, all issues raised and where the bulk of witnesses and documents are located.

In *ACF Industries, Inc.* v. *Guinn,* 384 F.2d 15 (5 Cir. 1967), the Fifth Circuit, on a petition for a writ of mandamus, ordered a second filed Kansas declaratory judgment suit tried in preference to an earlier filed Texas infringement suit because all the parties and witnesses were in or near Kansas, and because the Kansas case involved an interference proceeding [11] as well as the usual patent issues.

---

[11] An interference is an administrative proceeding initiated by the Patent Office pursuant to 35 U.S.C. § 135 to determine priority of invention as between two or more rival applicants for a patent on that invention.

> "In this case the stay [of the first filed infringement action] was most appropriate, since the Kansas court was considering the Patent Office decision in the interference proceeding. Further the parties and most of the principal witnesses resided in or near the Kansas district, and the Kansas proceedings seemed more likely to reach a decision before the Texas court would conclude its findings. A stay order would surely avoid an unwanted and highly undesirable race by each party to obtain a decision from the particular district court reacting most favorably to its position. Cf. General Tire & Rubber Co. v. Watkins, 4 Cir. 1967, 373 F.2d 361.
>
> We are not asked to order the transfer of the Texas action pursuant to 28 U.S.C.A. § 1404(a). A stay order has virtually the same effect, and is granted for practically the same reasons that motivate a court in granting a transfer motion. Some of the cases dealing with section 1404(a) are, therefore, instructive.
>
> * * *
>
> In Koehring Company v. Hyde Construction Co., 5 Cir. 1963, 324 F.2d 295, this Court carefully considered the criteria to be considered in a motion for change of venue. We noted the residence of the witnesses, the convenience of the parties, and the opportunity of reaching a judgment without unnecessary delay. In the 'interest of justice' we concluded that the cause should be transferred [on a petition for a writ of mandamus]." 384 F. 2d at 19

In this case like *ACF,* all the parties and witnesses are more conveniently located to the transferee district, New York, than to plaintiff's chosen forum, Kansas. In this case like *ACF,* there is an interference

proceeding in New York. The *ACF* case is virtually on all fours and here, as there, the Court should have recognized that the later filed declaratory judgment suit, which is in the more convenient forum, should take preference to the earlier filed infringement suit in the artificial forum.

As the First Circuit so aptly put it in *Codex,* 553 F.2d at 739:

> "While Milgo's past success makes its affection for Kansas understandable, the substance of this argument overlooks the fact that that litigation [the *United* case] being largely completed, there is no possibility of consolidation or coordination to promote judicial economy."

Thus, it can be seen that all factors which are entitled to consideration in this case and which have been considered in transfer cases by other courts compel transfer to New York:

1) all the principal parties to this dispute are Eastern companies;
2) all parties with a real interest in this litigation, including two who are not parties in Kansas, are parties to the *New York* case;
3) the nominal parties have stated they will intervene in the New York case;
4) the accused data sets were designed and developed in the New York City area;
5) Milgo's research work was conducted in Miami and in conjunction with a third party also located in the New York City area; and
6) the bulk of the potential witnesses and documents, including third party witnesses and documents, are located in the East within the subpoena power of the New York court.

Not a single factor relating to convenience or the interest of justice can be shown to favor the choice of Kansas. Only the fact of Milgo's initial choice of Kansas remains. In circumstances such as these that choice is entitled to little weight, and it plainly is not enough to carry the day in the face of all the contrary factors marshalled above.

This Court has previously taken jurisdiction, by petitions for writs of certiorari, of cases involving discretionary venue matters and has reviewed the exercise of that discretion.

In *Gulf Oil Corp.* v. *Gilbert,* 330 U.S. 501 (1946), the court considered the precursor to the present discretionary change of venue provision, the doctrine of forum non conveniens, and set forth the considerations applicable to a sound exercise of discretion. There the court reviewed the exercise of discretion by the District Court (which had been reversed by the Court of Appeals) and found that the discretion had been properly exercised.

In *Norwood* v. *Kirkpatrick,* 349 U.S. 29 (1955), *Continental Grain Co.* v. *Barge FBL-585,* 364 U.S. 19 (1960) and *VanDusen* v. *Barrack,* 376 U.S. 612 (1964), the Court reviewed cases arising under 28 U.S.C. § 1404.

In *Van Dusen* v. *Barrack,* this Court found that the District Court had not given proper consideration to the appropriate factors and remanded the case.

The case now before the Court is a classic example of the evils of forum shopping. Because AT&T and Western are large national companies, they are subject to suit virtually everywhere under the applicable venue statutes, in this case the patent venue statute,

28 U.S.C. § 1400(b). Yet it seems clear that the patent venue statute was intended to restrict the jurisdictions in which suit could be brought.

Kansas has no connection with the controversy. None of the activities which are central here have any nexus with Kansas. Milgo does its inventing, designing and manufacturing in Miami. Western's allegedly infringing products were designed in New Jersey and are manufactured in Illinois.

The only connection to Kansas is Milgo's earlier suit against Kansas corporations.

Petitioners respectfully submit that the patent venue statute, 28 U.S.C. § 1400(b), was not intended to permit litigation in jurisdictions so tangentially connected to the real controversy and the real parties in interest. To sanction such an expansive interpretation is to encourage forum shopping in patent cases and to further burden the judicial process with a plethora of meritorious, but otherwise unnecessary, motions under 28 U.S.C. § 1404(a) to transfer to a proper forum.

CONCLUSION

For all the reasons set forth above, petitioners respectfully urge the Court to grant certiorari and to reverse the decision below.

Respectfully submitted,

ALBERT E. FEY
Attorney for Petitioners

FISH & NEAVE
277 Park Avenue
New York, New York 10017

Of Counsel:

RICHARD J. CODDING
222 Broadway
New York, New York 10038

APPENDIX

APPENDIX

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Order of The United States Court of Appeals For The Tenth Circuit (January 6, 1978) 1a

Minute Order of the United States District Court for the District of Kansas (June 3, 1977) 2a

Order of The United States Court of Appeals for the Tenth Circuit Denying Petition for Rehearing (February 2, 1978) 3a

Transcript of Proceedings Before the United States District Court for the District of Kansas (Judge O'Connor speaking) (July 23, 1976) 4a

Decision of the United States Court of Appeals for the Tenth Circuit Dismissing Appeal (November 11, 1977) 5a

NOVEMBER TERM—January 6, 1978

Before Honorable Robert H. McWilliams, Honorable Jean S. Breitenstein, and Honorable William E. Doyle, Circuit Judges

No. 77-2001

AMERICAN TELEPHONE AND TELEGRAPH COMPANY and WESTERN ELECTRIC COMPANY, INCORPORATION,
Petitioners,

vs.

EARL E. O'CONNOR, United States District Judge for the District of Kansas,
Respondent.

This matter comes on for consideration of the petition for writ of mandamus filed in the captioned cause on December 5, 1977. The Court granted an extension of time to file a response and has considered respondent's brief in opposition to the petition.

Upon consideration thereof, the petition for writ of mandamus is denied.

/s/ HOWARD K. PHILLIPS
Howard K. Phillips, Clerk

A true copy

Teste

Howard K. Phillips
Clerk, U. S. Court of
Appeals, Tenth Circuit

/s/ L. Dinan Clark
Deputy Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS

[Received Jun. 7, 1977, M.P.P.F. & L.]
MILGO ELECTRONIC CORPORATION, Plaintiff,

v.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY; WESTERN ELECTRIC COMPANY, INC.; SOUTHWESTERN BELL TELEPHONE COMPANY; BOEING COMPUTER SERVICES INC., Defendant.

Minute Order

BY DIRECTION OF THE COURT:

IT IS ORDERED

Defendant's motion to review order of United States Magistrate dated January 18, 1977 and the one dated January 4, 1977 are hereby affirmed in all respects.

Defendant American Telephone and Telegraph Company and The Western Electric Company, Inc., motions to reconsider the motion to transfer is hereby denied.

Plaintiff's motion to strike is hereby taken under advisement this 2nd day of June, 1977.

Dated this 3rd day of June 1977 at Kansas City, Kansas.

ARTHUR G. JOHNSON, CLERK
/s/ BETTY L. ROSS
Betty L. Ross, Deputy Clerk

U.S. District Court,
District of Kansas, ss:

I hereby certify that the foregoing is a true copy of the original on the file in this court.
ARTHUR G. JOHNSON, Clerk

By /s/B. Ross
Deputy
Dated: 6/3/77

[Filed Jun 3, 1977 Arthur G. Johnson, Clerk]
[By Linda Serevin, Deputy]

JANUARY TERM—February 2, 1978

Before Honorable Robert H. McWilliams, Honorable Jean S. Breitenstein, and Honorable William E. Doyle, Circuit Judges.

No. 77-2001

AMERICAN TELEPHONE AND TELEGRAPH COMPANY *and*
WESTERN ELECTRIC COMPANY, INCORPORATED,
Petitioners,

vs.

EARL E. O'CONNOR, United States District Judge for the District of Kansas,
Respondent.

This matter comes on for consideration of petitioners' motion for an extension of time to file a petition for rehearing until January 30, 1978, together with Milgo's response in opposition to the motion for extension.

The Court also has for consideration the petitioners' petition for rehearing tendered for filing on January 26, 1978.
Upon consideration whereof, it is the order of Court:

1. Petitioner is granted an extension of time to file the petition for rehearing. The petition received January 26, 1978, is ordered filed.

2. The petition for rehearing is denied

/s/ HOWARD K. PHILLIPS
Howard K. Phillips, Clerk

TRANSCRIPT OF PROCEEDINGS

Before the United States District Court For the District of Kansas

(Judge O'Connor Speaking)

July 23, 1976

". . . of this case but unfortunately that isn't the way we decide these things.

I have gone over this file and I agree that the defendants maybe have some basis, certainly, as to convenience and all, but the law is, of course, as you all know, that great deference must be shown to the plaintiff's choice of forum and the burden is clearly on the defendants to establish the reasons and the statutory reasons for the Court to exercise discretion and transfer the case, but the Court finds and concludes, and I have gone over all these documents and there is no use to write an opinion and just rehash all that each of you have done and done very well, certainly on your own behalfs, but the Court finds and concludes that the defendants have failed to sustain their burden of showing that for the convenience of parties and witnesses and particularly in the interest of justice that the case should be transferred. In fact, the Court is of the opinion that a transfer would not be in the interests of justice, so the defendants A. T. & T. and Western's motion to transfer is denied. The defendants Southwestern Bell and Boeing Computer motion to sever and stay is denied.

I intend, at least at this juncture, for Judge Sullivant to continue hearing any matters pertaining . . ."

SEPTEMBER TERM—November 11, 1977

Before Honorable Oliver Seth, United States Circuit Judge, Honorable John C. Pickett, United States Senior Circuit Judge, and Honorable Robert H. McWilliams, United States Circuit Judge.

No. 77-1601

MILGO ELECTRONIC CORPORATION, a corporation,
Plaintiff-Appellee,

vs.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY, WESTERN ELECTRIC COMPANY, INC., corporations,
Defendants-Appellants,

SOUTHWESTERN BELL TELEPHONE COMPANY and BOEING COMPUTER SERVICES, INC., corporations,
Defendants.

Appellee Milgo Electronic Corporation has submitted a motion to dismiss the above appeal on the ground that the orders appealed from are not final and appealable pursuant to 28 U.S.C. § 1291. Upon consideration whereof, the motion to dismiss is granted and the appeal is ordered dismissed.

The appellants seek review pursuant to § 1291 of two orders of the United States District Court for the District of Kansas: the first a discovery order which ordered release of confidential, technical documents to the expert witness, and employee, of Milgo Electronic Corporation; the second an order declining to transfer the action pursuant to 28 U.S.C. § 1404(a) to the United States District Court for the Southern District of New York. We view this court's recent decision in Arthur Andersen & Co. v. Finesilver, 546 F.2d 338 (10th Cir. 1976), cert. denied, —— U.S. ——, as dispositive of the "discovery order" issue: that

order is nonappealable. We also view the order refusing to transfer pursuant to 28 U.S.C. § 1404(a) as non-appealable. *See,* Am. Fid. Fire Ins. v. U.S. Dist. Ct. for N.D. Cal., 538 F.2d 1371, 1374 (9th Cir. 1976); Metropolitan Paving Co. v. International U. of Op. Eng., 439 F.2d 300, 305 (10th Cir. 1971), cert. denied, 404 U.S. 829; Texas Gulf Sulphur Co. v. Ritter, 371 F.2d 145 (10th Cir. 1967).

The appellants request in the closing paragraphs of their "Brief in Opposition to Appellee's Motion to Dismiss" that, in the event the orders are held non-appealable, the matter be treated as a petition for a writ of mandamus pursuant to 28 U.S.C. § 1651 and Rule 21, F.R.A.P. We do note that the instant proceedings, in the present posture, do not satisfy the procedural requirements of Rule 21, F.R.A.P. In such circumstances, we decline to treat these proceedings as a petition for a writ of mandamus.

The clerk of this court shall certify a copy of this order to the United States District Court for the District of Kansas as and for the mandate.

HOWARD K. PHILLIPS, Clerk
/s/ ROBERT L. HOECKER,

Robert L. Hoecker,
Chief Deputy Clerk

Supreme Court, U. S.
FILED
JUN 2 1978
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

October Term, 1977
No. 77-1573

AMERICAN TELEPHONE AND TELEGRAPH COMPANY and WESTERN ELECTRIC COMPANY, INCORPORATED,

Petitioners,

vs.

EARL E. O'CONNOR, UNITED STATES DISTRICT JUDGE FOR THE DISTRICT OF KANSAS,

Respondent.

Brief in Opposition to Petition for Writ of Certiorari.

HAROLD L. JACKSON,
STANLEY R. JONES,
Attorneys for Respondent.

JACKSON & JONES LAW CORPORATION,
Irvine Law Building, Suite 100,
17592 Irvine Boulevard,
Tustin, Calif. 92680.

Of Counsel:
J. DONALD LYSAUGHT,
WEEKS, THOMAS, LYSAUGHT, BINGHAM & MUSTAIN,
407 Capitol Federal Building,
Overland Park, Kansas 66207.

Parker & Son, Inc., Law Printers, Los Angeles. Phone 724-6622

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IN THE

Supreme Court of the United States

October Term, 1977
No. 77-1573

AMERICAN TELEPHONE AND TELEGRAPH COMPANY and WESTERN ELECTRIC COMPANY, INCORPORATED,

Petitioners,

vs.

EARL E. O'CONNOR, UNITED STATES DISTRICT JUDGE FOR THE DISTRICT OF KANSAS,

Respondent.

Brief in Opposition to Petition for Writ of Certiorari.

This brief in opposition to the Petition for Writ of Certiorari is submitted on behalf of the respondent in this action, the Honorable Earl E. O'Connor and on behalf of Milgo Electronic Corporation.

Questions Presented.

1. Should the Supreme Court belatedly review a discretionary decision of a lower District Court on a motion to transfer when extensive interim discovery decisions have been rendered by the lower District Court against Petitioners and Petitioners had waited one and a half years to file for appellate review from the initial lower District Court decision without citing any mitigating grounds for this delay?

2. Should the Supreme Court issue a Writ of Certiorari to review the discretionary decision of (1) a District Court that twice, over a year's period, rejected motions to sever and stay and (2) the subsequent decision of the Tenth Circuit Court of Appeals who rejected Petitioners' requests for review of the lower Court's *second* decision, when at all times Petitioners have failed to provide sufficient verified affidavits of counsel and fact witnesses to support any grounds for transfer on convenience of parties and witnesses?

Statement of the Case.

Nature of the Case.

This is a patent infringement action arising under 28 U.S.C. §1338(a). In this action, Milgo Electronic Corporation (Milgo) has consolidated an action against four corporations that are infringing in Kansas. In an earlier suit[1] (the United suit) in the District Court below, two of the same Milgo patents in suit were held valid and willfully infringed. This action was brought in January, 1976, and two and one half years of complex litigation have gone on before the Court below. In each of numerous proceedings below Milgo has won its entitled discovery, but motions for sanctions and other complex discovery motions are still pending and require additional consideration by the same District Court.

On March 5, 1976, Western Electric Company, Incorporated (Western) and American Telephone and Telegraph Company (AT&T) sought to have the District Court sever and stay the action below as to

[1]*Milgo Electronic Corporation v. United Telecommunications, Inc.* (D.C. Kan. 1976), 189 U.S.P.Q. 160.

defendants Southwestern Bell Telephone Company (Southwestern Bell) and Boeing Computer Services, Inc. (Boeing), and further to transfer the action to New York as to Western and AT&T.[2]

Although affidavits of counsel, a supervisor employee, and two affidavits of presumably expert witnesses were filed, the convenience of fact witnesses and parties were not established by AT&T and Western. AT&T and Western did not provide any affidavits listing any fact witnesses they intended to call, what they would testify to, or describing the inconvenience or unlikelihood of procuring their attendance.

Under such circumstances, the District Court had ample discretion to accord little weight to their argument of witness inconvenience, particularly since this case is primarily one for expert witnesses.

Western and AT&T further submitted an affidavit by a Western Union attorney, M. I. Borsella, listing the last-known address of certain retired Western Union employees, and stating his belief that they *might* have been involved in relevant activities and *might* have relevant knowledge. This affidavit was entirely speculative and conclusory and relied largely on hearsay. No proposed testimony or facts relating to inconvenience was set forth, nor did it identify whether any proposed testimony would have been factual or expert. This affidavit also was due little or no weight under the

[2]It should be noted that Western had previously sued Milgo in the Southern District of Florida for patent infringement on the same type of technical equipment, *Western Electric Company, Inc. v. Milgo Electronic Corporation and International Communications Corporation*, CA No. 74-1001, and has never sought to transfer the Kansas action to Florida nor has it raised any issue as to convenience of its witnesses in traveling to Florida.

prevailing law. Even so, Milgo provided ample grounds rebutting these affidavits.

Equally relevant to Petitioners' failure to prove inconvenience is the untimeliness of their petition for appellate review. Respondent Judge O'Connor denied the motion to sever, stay, and transfer on July 23, 1976. Defendants sought no appellate review of this decision, but instead filed a second request to transfer a year later on May 24, 1977, after a tremendous investment had been made in the litigation below by the parties and the Court. Judge O'Connor denied the second motion to transfer, in the interest of justice on June 3, 1977.

Petitioners finally sought appellate review of the denial of the *second* transfer motion on July 29, 1977. Petitioners' appeal was dismissed for lack of jurisdiction, and petitioners thereafter finally filed the Petition for Writ of Mandamus at issue, at the late date of December 2, 1977. This dilatory appeal of Petitioners was obviously to avoid the consequences of various discovery orders that they had lost and had even tried to appeal to the Tenth Circuit.

As framed by Petitioners, the sole issue presented to the Court of Appeals by their Petition for Writ of Mandamus was:

> "A. Did Judge O'Connor on the facts of this case abuse his discretion in refusing to transfer this action as to Western Electric and AT&T to the Southern District of New York for the convenience of the parties and witnesses and in the interest of justice?"

Petitioners raised no question below concerning the patent venue statute 28 U.S.C. §1400(b), but rather

only urged the Court of Appeals to reweigh the factors considered by the District Court.

However, as this Court has held, it is not a proper exercise of the appellate jurisdiction of the Court of Appeals to weigh the evidence, attach credibility and balance the various factors considered in finally deciding whether to transfer a case. Moreover, when all factors are properly considered, the great weight of the evidence favors the decision of the District Court. Therefore, the Tenth Circuit Court of Appeals properly exercised its discretionary authority to deny the Petition for Mandamus. It follows that this Court should deny the Petition for Certiorari.

Statement of the Facts.

(a) The Parties.

The Plaintiff in this action is Milgo Electronic Corporation, a small Florida corporation. Defendant-Petitioner Western is a New York corporation which manufactures the infringing apparatus in Illinois. Defendant-Petitioner AT&T is a New York corporation which operates the nationwide telephone network and owns 100% of Western. The relative size of the parties may be seen by the fact that AT&T and its subsidiaries employ over 900,000 persons, while Milgo employs 1300. Southwestern Bell leases 100% of the allegedly infringing devices in the district of Kansas as well as in the states of Missouri, Texas, Oklahoma and Arkansas. Southwestern Bell is in possession of infringing apparatus manufactured by Western before issuance of Milgo's patents in suit and is therefore additionally liable for damages not recoverable from Western. Defendant Boeing uses 50% of the infringing apparatus leased by

Southwestern Bell in the district of Kansas. The method claims in the patent in issue are only infringed by Boeing and Southwestern Bell in the district of Kansas. Milgo is entitled to an injunction against infringing use by Southwestern Bell and Boeing.

Defendants' pertinent discovery materials are located at such diverse locations as Chicago, St. Louis, New York, New Jersey, North Carolina and Kansas. Document review and depositions have been conducted with extensive supervision by the lower Court at the appropriate locations without any inconvenience to the parties.

(b) Chronology of the Litigation.

Approximately two and one half years ago, on January 23, 1976, Milgo filed this action (the Kansas suit) in the District Court of Kansas, Civil No. 76-15-C2, for infringement of U.S. Patent Nos. 3,524,023; 3,619,503; 3,643,203 and 3,783,194, two of which have already been held valid and willfully infringed by the Court below in the *United* suit. Defendants conceded venue to be proper in the Court below.

After Milgo filed the Kansas suit, AT&T and Western filed a declaratory judgment suit, Civil No. 76-996, in the Southern District of New York (the New York suit) on March, 2, 1976 seeking a determination of the validity and infringement of Milgo's patents. In a transparent attempt to provide a nexus for the New York forum, the wholly owned subsidiary of Petitioners, Bell Telephone Laboratories (Bell Labs) joined in the New York action and separately asserted an unrelated patent interference claim. This same patent interference claim had previously been instigated by Bell Labs in the United States Patent Office against Milgo and was then properly pending before that agency.

Southwestern Bell and Boeing are not parties to the New York action.

On March 8, 1976, Petitioners Western and AT&T filed a motion pursuant to 28 U.S.C. §1404(a) to transfer the Kansas suit to New York and cited the presence of Bell Labs as a factor. On July 23, 1976, almost two years ago, Judge O'Connor, acting within his discretionary authority, denied the motion to transfer. Thereafter, Judge Knapp of the New York Court transferred the New York suit to Kansas as to the patent validity and infringement issues and stayed the unrelated patent interference action, *American Telephone and Telegraph Co. et al. v. Milgo Electronic Corporation et al.* (S.D.N.Y. 1976) 193 U.S.P.Q. 242.

On May 24, 1977 Petitioners made their second motion to transfer to New York. The only new issue presented by the Petitioners' second motion to transfer was the unrelated decision of the First Circuit Court of Appeals to enjoin a separate suit by Milgo, *Milgo Electronic Corporation v. Yellow Freight Systems, Inc.*, Civil No. 76-16-C2, in favor of a suit initiated by Codex Corporation in Massachusetts, *Codex Corp. and Yellow Freight Systems, Inc. v. Milgo Electronic Corp. and International Communications Corp., Inc.*, 553 F.2d 735 (1st Cir. 1977) (the Codex suit). The District Court below denied AT&T and Western's second motion on June 3, 1977, finding transfer would not be in the interest of justice. This decision was correct since the First Circuit decision did not present any relevant new reasons to change the earlier decision refusing transfer. The First Circuit decision was simply a policy decision unique to its fact situation.

The First Circuit decision specifically did not find an abuse of discretion on the part of the District Court, but rather used the case as a vehicle to enunciate a rule of rebuttable presumption that a customer suit, where the manufacturer could not be sued, was to be transferred. Since Western is the manufacturer for the Bell System and was directly sued in the Kansas suit, the First Circuit rule, regardless of the merits of its legal rationale, is not applicable to the present Petitioners.

Even though Judge O'Conner first denied the motion to transfer on July 23, 1976, AT&T and Western did not choose to seek proper appellate review until December 7, 1977, after almost two years of heated litigation and great investment by the Court and Milgo. The Tenth Circuit Court of Appeals denied AT&T and Western's Petition for Writ of Mandamus on January 6, 1978, and it is that denial which AT&T and Western seek to have reviewed by this Court.

REASONS FOR DENYING THE WRIT.

The Interests of Justice Support Judge O'Connor's Decision of Denying a Second Request to Transfer That Is Belatedly Filed.

Petitioners did not seek appellate review of Judge O'Connor's first decision against transfer on July 7, 1976, but rather elected to move for transfer a *second* time a year later after extensive discovery proceedings in the case. Petitioners have never justified this late request for reconsideration. The dilatory nature of Petitioners' request for review and its prejudicial impact on the great investment the Court has made in the proceedings below alone gave Judge O'Connor a sufficient reason to deny transfer in the interests of justice.

Since the Court below first denied transfer, extensive proceedings have occurred below, and numerous orders have been entered by the Court. Numerous issues as to complex protective orders have been settled. An incredible number of motions to compel discovery from the recalcitrant Petitioners have been granted and considerable discovery taken.[3] The Court has further found

---

[3]The voluminous papers generated below contain over 462 pages of legal memoranda, 479 pages of affidavits and exhibits and 298 pages of transcripts of oral hearings. A flavor for some of the proceedings may be gained by the following excerpts from opinions of Magistrate Sullivant:

> "On May 12, 1976, Judge O'Connor sustained plaintiff's Motion to Compel Discovery involving the taking of depositions in Montgomery, Illinois. (See P1 #22). A further hearing was held before Judge O'Connor on May 21, 1976, at which time plaintiff's Motion to Compel Discovery and Produce Documents was sustained. (See P1 #25). On June 15, 1976, defendants Motion for a Protective Order (P1 #27) was denied and plaintiff's Motion to Compel Discovery (P1 #24) was sustained. (See P1 #30, 33). In each of the above hearings, plaintiff's Motion

(This footnote is continued on next page)

prima facie control of Bell Labs by Petitioners. Considerable discovery on the merits has taken place including document production and depositions.

Milgo presently has pending below four extensive motions, including motions for sanctions to compensate Milgo for the great financial injury occasioned by Petitioners' violations of Court Orders and the Federal Rules. Each of the motions involves issues as to what the Court below meant by its various past discovery orders, which can only effectively be ruled on by the Court below. The handling of these motions would present a great burden to any transferree court, as well as excessively delay the orderly proceedings of this case.

The Court below has already had to become familiar with the issues of this litigation, the technical terminology, parties, witnesses and attorneys. It would be a monumental waste of judicial time to require Judge Knapp of the New York Court to familiarize himself with all that has gone on since the inception of this case so that he could rule on the pending as well as future discovery motions. Moreover, Judge Knapp could never recapture the conduct and demeanor of the parties in all the live proceedings that have gone on below.

The law is clear that the late, unexcused filing of a petition for Writ of Mandamus on issues that have been presented a number of times to the lower

for Sanctions was deferred for consideration at a later time." (Opinion of August 2, 1976, Exhibit 1).

"The defendants' objections to questions and instructions to witnesses not to answer in the depositions attempted by plaintiff at defendants North Aurora, Illinois plant (the deposition ordered to go forward by Judge O'Connor) are without legal justification. The witnesses are required to answer the questions." (Opinion of June 23, 1976, Exhibit 2)."

Court provide sufficient ground to deny transfer. *McGraw-Edison Co. v. Van Pelt,* 350 F.2d 361, 363-364 (8th Cir. 1965), *Robert Brother, Inc. v. Kurtz Bros.,* 231 F.Supp. 163, 164 note 1, 167-68 (D.N.J. 1964), *Techitrol v. McManus,* 405 F.2d 84, 88 (9th Cir. 1968), *United States v. Olds,* 426 F.2d 562 (3rd Cir. 1970). Additionally, the possibility of conducting discovery and trial by a judge familiar with the subject matter involved has been recognized by Courts as an important fact to weigh in considering transfer. *Wyndham Associates v. Bintliff,* 398 F.2d 614, 620 (2d Cir., 1968), cert. den. 393 U.S. 977 (1968). Overwhelming equities have arisen which standing alone justify Judge O'Connor's denial of transfer at this late date.

Petitioners Did Not Support Their Allegations That Convenience of the Parties and Witnesses Were Due Any Significant Weight.

Petitioners assert, as they did below, that convenience is served by trial in New York because documents and certain expert witnesses are located "on the East Coast." However, Petitioners failed to demonstrate to Judge O'Connor that these factors constituted any real inconvenience and, more important, did not provide sufficient grounds to support a motion to transfer.

The Kansas forum is certainly more convenient for Milgo. Kansas is, in fact, closer to Milgo's facilities in Miami. In the numerous disputes over discovery and other matters which have been litigated below, it has been much more economical for Milgo to fly its counsel from California to Kansas, as opposed to New York City. This convenience to Milgo is enhanced by the fact that Milgo is also litigating the *United*

Case in the Kansas forum, and can confer with its counsel regarding both matters during meetings in Kansas. Milgo has already invested a tremendous amount of resources in establishing the validity of its patents in Kansas. Petitioners' characterization of the suit as involving "East Coast" companies is superficial and designed to evade the fact that Milgo enjoys no convenience advantage in a New York suit.

The following convenience facts favoring trial in Kansas were present when Judge O'Connor considered AT&T and Western's first motion to transfer and they still remain:

(1) Judges O'Connor and Templar are already familiar with the technical terms in the modem field and the basic technology involved in this suit.

(2) The infringing modems are manufactured in Illinois and many pertinent Western witnesses are in Chicago, much closer to Kansas City than New York.

(3) The AT&T modems infringe in Kansas City and in fact, some Milgo method claims are only infringed during use of infringing Bell modems by the users, Boeing and Southwestern Bell.

(4) The documents in possession of AT&T and Western relating to the manufacture of the infringing Bell modems are technical documents which are located in Illinois.

(5) Most of the pertinent Milgo documents and the Bennett and Davey "Bible" are already indexed and reside in the Kansas City Courthouse, as a result of the on-going litigation before Judge Templar in the *United* litigation.

(6) The testimony of Milgo witnesses taken in the *United* litigation are also lodged in the Kansas City Courthouse in the form of depositions and the trial record.

(7) Kansas City is 100 miles closer to Milgo's headquarters in Miami than New York.

(8) A one month trial on the Milgo patent/modem infringement subject matter before Judge Templar has already been completed in Kansas City.

(9) A second trial on the issue of willful infringement and damages has also been completed before Judge Templar.

(10) Milgo filed first and picked Kansas City as its forum.

(11) Finally, substantial savings in trial of the issue of patent validity will be possible in the Kansas Court. The patent validity determination in the *United* case can considerably shorten the retrial of this issue against AT&T and Western. *Illinois Tool Works, Inc. v. Foster Grant Co., Inc.*, 547 F.2d 1300 (7th Cir. 1976).

Western and AT&T's showing below with respect to convenience of witnesses was based on the same broad, unsupported allegations that they now make to this Court and is due little or no weight. The instant suit is a patent infringement suit in which the basic issues are whether Milgo's inventions are obvious and whether its patent claims are infringed. Decisions on both issues are largely based on expert testimony.

AT&T and Western presented two affidavits to the Court below signed by scientists and former employees W. Bennett and J. R. Davey which indicated they might be able to give expert testimony relevant to the obvious-

ness issue.[4] However, AT&T and Western did not file any affidavits stating they intended to call either Mr. Bennett or Mr. Davey at trial nor did they file affidavits that adequately explain why it would be inconvenient for Mr. Bennett and Mr. Davey to attend trial in Kansas.

Convenience of fact witnesses was also not established by AT&T and Western. AT&T and Western did not provide any affidavits by their counsel listing any fact witnesses they intended to call, what they would testify to, or describing the inconvenience or unlikelihood of procuring their attendance.

The burden being on AT&T and Western, and the affidavits on their behalf being insufficient or absent, Judge O'Connor did not have to accord significance to the convenience allegations of AT&T and Western, in exercising his discretion. *Texas Gulf Sulphur v. Ritter*, 371 F.2d 145, 147 (10th Cir. 1967), *Zerance v. William Harvey Research Corp.*, 401 F.Supp. 804, 806 (S.D.N.Y. 1975). Even ignoring the clear insufficiencies respecting the affidavits of W. Bennett and J. R. Davey pointed out above, the Court below did not have to accord significance to the alleged convenience of expert witnesses who are normally paid well to travel around the country and participate in litigation. *McCrystal v. Barnwell City, South Carolina*, 422 F.Supp. 219, 224 (S.D.N.Y. 1976); *Roller Bearing*

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[4]It is important to note that Mr Bennett and Mr. Davey are *former* Bell Labs employees. Since the infringing designs were made over seven years ago, it was unclear from any evidence before the Court below that any present Bell scientists are knowledgeable about the infringement. For example, Milgo's discovery has recently shown that a former Bell modem designer of that era, Mr. D. Spaulding, is currently residing in California, closer to Kansas.

Co. of America v. Bearings, Inc., 260 F.Supp. 639 (E.D. Pa. 1966).

Under the circumstances of this case, access to documents also had no great bearing on the determination below. Milgo's documents are in Miami, and Western and AT&T's are in New Jersey, New York, Chicago, North Carolina, and elsewhere around the country. Relevant Southwestern Bell and Boeing documents are in St. Louis and Kansas City. AT&T and Western have come to Miami to review Milgo's documents, and Milgo has to go to Western and AT&T locations for document review, no matter where this suit is tried. Discovery has been proceeding in this fashion, and the Court below has ably supervised document production and other discovery matters. Under these circumstances, the location of documents can have little effect on a transfer motion. *McCrystal v. Barnwell County, supra* at 224.

Finally, the convenience arguments of Western and AT&T are justly refracted by the relative size of the parties. AT&T and Western are giant corporations which have large operations and assets located throughout the United States. These parties litigate all over the United States, as they choose. In the copending Florida patent suit, Western has sued Milgo in Miami on ten patents assigned on their face to Bell Labs and invented by Bell Labs inventors, including Mr. Davey, whom petitioners suggested might be an expert in this action. Petitioners' expert witness in the Florida suit is a Bell Labs engineer. Judge O'Connor was aware that Petitioners showed no concern for the alleged convenience of their New York forum and proximity to Bell Labs, despite the fact that they could have sued Milgo in New York instead of Florida. Under

the above circumstances, it was well within Judge O'Connor's discretion to further reduce any weight given to AT&T and Western's convenience arguments. *Lanier Business Productions v. Graymar Co.*, 355 F. Supp. 524, 528 (D.Md. 1973), *Commonwealth Edison v. Train*, 71 F.R.D. 391, 394 (N.D. Ill. 1976), *First Nat. Bank of Minneapolis v. White*, 420 F.Supp. 1331, 1337 (D. Minn. 1976); *Herbst v. Able*, 278 F.Supp. 664, 667 (S.D.N.Y. 1966).

Little doubt can remain that the real motive of AT&T and Western in seeking transfer is not their convenience but to escape the Kansas validity judgment and adverse discovery orders.

To grant AT&T's motion to transfer would also not have been in the interest of justice because it would have resulted in wasteful duplicate litigation in Kansas and New York. *Magnavox Co. v. Bailey Mfg. Corp.*, 414 F.Supp. 891 (N.D.Ill. 1976). As Judge O'Connor observed at the hearing on transfer, AT&T and Western's transfer motion was simply an attempt to "whipsaw" Milgo. In an attempt to justify bifurcating the litigation, AT&T and Western characterize Southwestern and Boeing as "nominal" defendants who have stated they would intervene in the New York suit. Both contentions are wrong.

First, Southwestern and Boeing are not nominal defendants. Since Southwestern Bell is liable for its use of Western equipment manufacatured before at least one of Milgo's patents issued, Southwestern Bell is liable for a unique and substantial category of infringement not reachable in an action against Petitioners alone in New York. *Columbia, N.R.R. Co. v. Chandler*, 241 F. 261 (9th Cir. 1917). Moreover, the New

York suit would not be *res judicata* as to those infringing acts which were committed prior to Milgo's filing suit. *Caroll v. Goldschmidt*, 83 F.Supp. 508, 509 (2d Cir. 1897), cert. denied 169 U.S. 705 (1898). Additionally, each one of the defendants, whether a user or manufacturer, is an infringer and wrongdoer, liable for its own infringing acts and subject to an injunction against those acts. *Birdsell Mfg. Co. v. Shaliol*, 112 U.S. 485, 487 (1884).

Second, Southwestern Bell and Boeing never stated to the Court by affidavit or otherwise that they would intervene in New York. Since it would obviously be contrary to their interests to intervene in a forum where venue was improper as to them, Judge O'Connor could give no credibility to AT&T and Western's hearsay statement that Southwestern and Boeing *might* intervene in New York if they saw fit.

Judge O'Connor was correct in denying transfer since the only reasonably foreseeable result of granting Western and AT&T's transfer motion was and is wasteful duplicate litigation.

Another interest of justice favoring litigation of the dispute in the Kansas Court is the conservation of judicial resources made possible by the fact that two of the patents in suit have been litigated and held valid by the Court below. The patent validity determination in the *United* case carries the weight of *stare decisis* and requires AT&T and Western to show some error in the factual findings of the District Court in order to overturn the prior determination of validity. *Illinois Tool Works v. Foster Grant Co.*, 547 F.2d 1300, 1302-1303 (7th Cir. 1976). Hence, the issues on validity will be considerably narrowed over those

presented by a *de novo* trial in a different forum. Conservation of judicial resources favors trial below. Petitioners' motive in seeking transfer is to escape the Kansas validity judgment.

Petitioners argued to the District Court that the unrelated interfering patent suit with Bell Labs now pending and stayed in New York was a significant factor favoring transfer to New York. However, to be of any cognizable weight Petitioners' argument was required to be supported by a precise showing of the issues which were common between the interfering patent claims and the patent validity and infringement claims, *Texas Gulf Sulfur Co., supra* at 148. Petitioners failed to make such a showing below and Judge O'Connor did not abuse his discretion by denying transfer.

Extraordinary and Indisputable Circumstances Are Required for Issuance of the Writ of Mandamus.

Petitioners' reason for granting the writ is that the Respondent Judge O'Connor improperly weighed factors bearing on Petitioners' motion to transfer. Petitioners do not argue that Judge O'Connor considered any factors which are not properly taken into consideration on a transfer motion. Petitioners conceded below that venue was proper as to them in the Kansas District Court and raised no question whatsoever as to the scope or spirit of the venue statute, 28 U.S.C. §1400 (b), before the Court of Appeals.

Under such circumstances, the Court of Appeals had no choice but to deny the Petition for Writ of Mandamus since it would have been an improper exercise of appellate jurisdiction to substitute its weighing of factors bearing on transfer for that of the District Court.

Platt v. Minnesota, 376 U.S. 240 (1964). In *Platt,* the Court of Appeals undertook to reweigh the District Judge's balancing of factors on a transfer motion. This Court stated, 376 U.S. at 245:

> "Here, however, the Court of Appeals undertook a *de novo* examination of the record and itself exercised the discretionary function which the rule commits to the trial judge. This the Court should not have done since the writ cannot be used 'to actually control the decision of the trial court.' "

As Justice Harlan stated in his concurrence, 376 U.S. at 246:

> "Such a course inescapably contravenes accepted principles governing the exercise of appellate jurisdiction."

In both *Platt, supra* at 244-245 and in *Kerr v. United States,* 426 U.S. 394 (1975), this Court expressed its view that highly extraordinary circumstances must obtain to justify the issuance of a Writ of Mandamus. In *Kerr,* 426 U.S. at 402-403, the Court stated:

> "The remedy of mandamus is a drastic one, to be invoked only in extraordinary situations. . . . 'only exceptional circumstances amounting to a judicial "usurpation of power" will justify the invocation of this extraordinary remedy.' "
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> * * *
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> "As means of implementing the rule that the writ will issue only in extraordinary circumstances, we have set forth various conditions, for its issuance. Among these are that the party seeking issuance of the writ, . . . satisfy 'the burden of showing that [his] right to issuance of the writ is "clear and indisputable" ' . . . Moreover, it is important to remember that issuance of the

> writ is in large part a matter of discretion with the court to which the petition is addressed." (citations omitted)

As shown above, the decision below was a routine transfer decision based on factual contentions which either favored the Court's decision not to transfer or were not properly supported by Petitioners. Under the circumstances, Petitioners could not claim an indisputable right to issuance of the writ and the Court of Appeals was well within its discretion in refusing to entertain the Petition for Writ of Mandamus and this Court should also deny the Petition for Certiorari.

Conclusion.

Petitioners not only failed to carry their burden of factually establishing sufficient grounds of convenience of parties and witnesses, but further delayed seeking appellate review until extensive discovery decisions had been rendered against them. Judge O'Connor correctly held that Petitioners failed to carry their burden of proof on transfer and that the interests of justice favored trial in the Kansas District Court. The Court of Appeals correctly denied the Petition for Writ of Mandamus and there are no circumstances justifying issuance of a Writ of Certiorari to review that decision. The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

By HAROLD L. JACKSON
Attorney for Respondent.

Service of the within and receipt of a copy thereof is hereby admitted this ..... day of June, A.D. 1978.

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